

MORE ASSISTANCE PLEDGED FOR POOREST COUNTRIES AT UNITED NATIONS CONFERENCE

Industrialized nations pledged to increase aid to the world's poorest countries when they met recently at the Second United Nations Conference on the Least Developed Countries, held in Paris from 3 to 14 September. The Conference concluded by adopting a Programme of Action designed to speed the advancement of the 41 least developed countries* (LDCs) during the 1990s.

In addition to agreeing on a menu of four options by which donors would commit more development assistance to the LDCs, the Conference approved a strategy for dealing with those countries' external indebtedness. Some divisive trade issues, such as access for LDC exports to developed-country markets and financial compensation for losses in commodities earnings, were referred to other United Nations bodies.

Compared with a similar Plan adopted at the first such Conference in 1981, the new Programme places greater emphasis on the need for democratic participation and respect for human rights. It also stresses the importance of private sector initiatives and population policy, and the potential role of women and non-governmental organizations in promoting development.

SETBACKS IN THE 1980s

The Conference was organized after reviews of LDC performance in the 1980s showed that, despite some increases in aid and preferential

treatment, conditions continued to deteriorate, bringing increasing hardship to more than 400 million people. Kenneth K. S. Dadzie, Secretary-General of the Conference and also of the United Nations Conference on Trade and Development which organized the meeting, said, "It is a sobering thought that fully nine years" after the 1981 Conference, "no significant improvement is discernible in the economic, social and human fabric of the large majority of these countries".

An assessment of the economic performance of the LDCs during the 1980s, included in the Programme of Action, states that, while the 1981 Plan set an annual growth target for gross domestic product (GDP) of 7.2 per cent, the actual rate was, on average, 2.2 per cent, with negative growth in some countries. Manufacturing output grew by only 2.3 per cent annually—less than half the growth achieved in the 1970s. Also, the LDCs became increasingly marginalized within the world economy, as their collective share of world exports dropped from an already small 1.4 per cent in 1960 to a mere 0.3 per cent in 1988.

Delegates to the Conference attributed the worsening state of affairs to domestic policy shortcomings, inadequate structural adjustment programmes, adverse external conditions—such as depressed commodity prices and lack of access to markets—and lower-than-expected aid flows.

The 41 countries—28 of them in Africa—have been designated as "least developed" based on their low per capita income (averaging \$227 in 1987, compared with \$877 for all developing countries), low adult literacy rate (averaging 32 per cent), and low rate of manufacturing (averaging 8 per cent of GDP). Also, many LDCs face environmental or geographic problems—a number are land-locked or island countries—and are permanently vulnerable to natural disasters. All confront serious obstacles. As Roland Dumas, the French Minister for Foreign Affairs who chaired the Conference, stated, "Without outside support,

* The countries classified as least developed by the United Nations are: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burkina Faso, Burundi, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu and Yemen (incorporating the former Democratic Yemen and Yemen, which merged in May 1990).

these poor nations . . . will never escape from their vicious circle of misery''.

A MENU OF AID OPTIONS

The most contentious issue before the Conference was the level of official development assistance (ODA) which donor countries would commit to the LDCs. At the 1981 Conference, industrialized countries agreed to a target by which they would give 0.15 per cent of their gross national product (GNP) to the LDCs, but during the 1980s ODA levels averaged only 0.09 per cent of donor GNP.

In his opening statement to the Conference, President François Mitterrand announced that France would sharply increase its aid to 0.20 per cent of its GNP and called for other industrialized nations to follow suit. However, most donor countries—notably the United States and Japan—felt that meeting such a target would force them to divert aid from other traditional recipients. Some officials feared the Conference would end in disarray because of disagreement over specific aid targets.

After intensive negotiations led by Jan Pronk, Minister for Development Co-operation of the Netherlands, agreement was reached on a menu of options, offering donor countries four levels of commitment to increasing their ODA to the LDCs. This enabled all donor countries to "come on board", according to Mr. Dadzie.

► Under the first option, countries already providing more than 0.20 per cent of their GNP to aid the LDCs would continue to do so, and would increase their efforts. The Nordic nations, the Netherlands and some oil-exporting Arab countries fall into this category.

► In the second option, donor countries that have met the 0.15 per cent target—including France and Italy—would undertake to reach 0.20 per cent by the year 2000.

► Other countries committed to the 0.15 per cent target would, by the third option, reaffirm their commitment and undertake either to achieve the target in the next five years or to make their best efforts to speed up aid increases.

► Under the last option, donor countries would "exercise individual best efforts" to increase their ODA to the LDCs, without setting specific targets. The United States and Japan, two of the largest donors in absolute terms, chose this option. The United States currently donates 0.04 per cent of its GNP (\$748.5 million) to the LDCs, while Japan gives 0.07 per cent (\$1144.9 million).

The question of how aid flows should be carved up will probably continue to be a controversial issue as Eastern European countries—as well as oil-importing countries hit by rising prices—make new calls on the limited aid budgets of the industrialized West.

DEBT RELIEF URGED

The external indebtedness of the LDCs, more than half of which are considered debt-distressed, proved to be a major obstacle to their development during the 1980s. Between 1982 and 1988, the total external debt of LDCs almost doubled, rising from \$35.8 billion to \$69.3 billion. Service payments alone absorbed over 30 per cent annually (in some cases 50 per cent) of remittances from exports.

At the Conference, attempts to seek commitments from donors to write off LDC debts met with significant resistance. After intensive consultations led by Matthew Kukitaithe, Minister of State for Planning and Economic Development of Uganda, the Conference agreed on the following strategy:

► Since bilateral concessional debt accounts for around 40 per cent of the LDCs' total outstanding debt, donor countries would be urged to cancel or provide equivalent relief for such debt. About half of that debt is owed to the 24 countries of the Organisation for Economic Co-operation and Development (OECD), which includes the developed market economies of Western Europe, North America and Asia.

► Regarding the non-concessional bilateral debt owed to OECD countries, which accounts for 20 per cent of LDC debt-service payments, members of the Paris Club (official creditors) would be asked

to apply to all LDCs—and possibly expand—the terms agreed on by the Group of Seven Western industrial nations in Toronto in 1988. This would include partial debt forgiveness, reduction in interest rates and extension of repayment periods.

► Because one third of LDC debt-service payments is owed to multilateral institutions such as the World Bank, the International Monetary Fund (IMF) and regional development banks, all such organizations would be invited to give serious attention to debt relief measures for LDCs.

TRADE ISSUES UNRESOLVED

Tough trade issues, which have long divided rich and poor countries, were referred to appropriate United Nations organizations. The Conference expressed hope that a successful conclusion of the current Uruguay Round of multilateral trade negotiations, under the General Agreement on Tariffs and Trade (GATT), would give improved access for LDC exports to developed country markets by reducing tariffs and other barriers. The Conference also suggested that negotiations on the IMF's Compensatory and Contingency Financing Facility consider the extent to which LDCs should be compensated for losses caused by instability in the international commodities market.

DEVELOPMENT STRATEGIES

These difficult issues were debated in the context of discussion on general development strategies. Reflecting a growing concern among developing countries that policies are often imposed by donor Governments and agencies, the Programme of Action affirms the basic principle that the LDCs have the primary policy-making responsibility for their growth, although they require adequate external support from their "development partners" in the donor community.

The Programme also states that a "macro-economic policy framework" be formulated to overcome the structural problems of the LDCs. Guidelines for external financing, debt relief, trade

diversification and investment promotion are also proposed.

To develop human capacities in the LDCs, the Programme advocates greater respect for human rights, more democratic participation and greater accountability at all levels of government. The potential role of women and non-governmental organizations in development is stressed, together with a larger role for private enterprise. It is suggested that steps be taken to increase the efficiency of the public sector. Improvements in education, health care and other basic services, which have often been cut back under adjustment measures, are recommended in order to "strengthen human capital". The importance of population policies is also stressed.

To transform the economic base of the LDCs, the Programme gives extensive guidelines for agricultural and rural development—including suggestions for market-oriented agricultural price and credit policies—and for expanding the industrial, service and technological bases. Improvements should also be made in infrastructure, environmental management and disaster mitigation.

LOOKING TO THE FUTURE

Concrete provisions for follow-up are built into the Programme of Action, one means of trying to counter unforeseen developments, such as the drop in the commodities market that helped to undermine the 1981 Plan. Country review groups will bring all concerned donors together every one to two years to examine the progress of individual countries, and regional evaluations will be conducted by the UN's regional commissions. On a global level, UNCTAD will monitor the Programme's impact and present a review to the General Assembly in the mid-1990s.

In a move which is of interest to a number of struggling developing countries, the Conference urged experts on the United Nations Committee for Development Planning to complete their review of criteria to be used for designating countries as "least developed", and to use the revised criteria

to create an index, which would be updated regularly, for assessing growth in the LDCs. The current criteria, long thought to be inadequate, were devised 20 years ago when data on development indicators were scarce.

The Conference invited the General Assembly to consider adding newly independent Namibia to the list of LDCs. Earlier this year Liberia had also been recommended.

One unpredictable factor, the impact of which will need to be carefully monitored, is the situation in the Persian Gulf. At the Conference UNCTAD estimated that, as a result of the Gulf crisis, the LDCs would need an extra \$440 million this year and \$920 million next year for oil imports, based on a price of \$25 a barrel. Since then, prices have risen to around \$40 a barrel. If those extra funds are not found, the LDCs will be forced to cut back on oil imports, with possibly severe effects on their growth.

Some LDCs, such as Bangladesh and Yemen, also face a significant loss of income formerly earned by nationals working in Kuwait and other Gulf countries. But though the requirements of LDCs could increase dramatically as a direct result of the crisis, industrialized countries confronted with the economic and political uncertainty of war

will be unlikely to make additional, if any, aid commitments.

REASON TO HOPE

Despite the serious obstacles to growth detailed during the two-week session, the Conference concluded that there is hope for the LDCs. In the Paris Declaration, by which delegates committed themselves to the Programme of Action, the 150 participating countries stated that the deterioration in economic, social and ecological conditions in the LDCs during the 1980s "is not irreversible". It could be turned around if the LDCs and donor countries combined efforts, taking advantage of the new climate of confidence in international relations. They also affirmed that refusal to accept the marginalization of the LDCs was not only an "ethical imperative", but in an increasingly interdependent world, was in the long-term interests of the international community.

As Richard J. Barnet of the Institute for Policy Studies recently wrote, "If people are denied the chance to be producers and consumers, they do not disappear. They make their presence felt—as participants in civil wars, as carriers of disease, as refugees, as despoilers of the environment, as a continuing reproach."